

LOUISIANA AGRICULTURAL FINANCE AUTHORITY (LAFA)

MINUTES

November 19, 2009

1:30 P.M.

Veterans Memorial Auditorium

5825 Florida Boulevard

Baton Rouge, LA 70806

**CALL TO ORDER**

The meeting was called to order by Commissioner Strain at 1:50 P.M.

**ROLL CALL**

The roll was called by René Simon.

Present: Commissioner Strain, Richard Muller, H. Marcell Parker, Jr.,  
Linda Zaunbrecher and William Hawkins.

Absent: Robert Allain, Ted Gauthier and Jerry Hunter

Mr. Simon stated enough members were present for a quorum.

**Others present:** René Simon, LDAF; Pete Rudesill, LDAF; Rachel Laborde, LDAF;  
Hilary Stephenson, LDAF; Corinne Brousseau, LDAF; Tabitha Gray, Executive Counsel;  
Daniel Lichtl, Attorney with Fowler & Rodriguez; and Alex Santacoloma, Louisiana  
Green Fuels.

**APPROVAL OF THE MINUTES**

Commissioner Strain asked the members of the board to review the minutes from the past three meetings. Mr. Simon stated that he and Mr. Muller would re-examine the April 16, 2009 minutes that were prepared before he was Director. Mr. Muller proposed changes to the minutes that were not reflected in the copy given to the board. They were in agreement with the minutes from May 7, 2009 and August 11, 2009.

**Motion:** A motion was made by Commissioner Strain to defer the April 16, 2009 minutes until next meeting. It was seconded by Mr. Hawkins and passed unanimously.

**Motion:** A motion was made by Mr. Muller to approve the May 7, 2009 and August 11, 2009 minutes. It was seconded by Mr. Parker and passed unanimously.

## **COMMISSIONER'S REPORT**

### **Updates on Louisiana State Cypress/Texans Credit Union, \$30 Million Lacassine Bond Sale, and Opelousas and Natchitoches building projects.**

The Commissioner stated that the State Market Commission (SMC) had guaranteed a loan for Louisiana State Cypress for \$3.125 million made by Texans Credit Union (TCU). Louisiana State Cypress (Cypress) is no longer operating, and was unable to meet the commitment to Texans Credit Union. Because of the failure by Cypress to make the payment and the SMC guarantee, TCU made a demand on SMC for the payment. The loan is only secured by the guarantee of the SMC. Commissioner Strain, on behalf of the Department, SMC and LAFA, sought an appropriation during the State Legislative session for the payment of the loan, but was not successful. Subsequent to the session, the State Treasurer and the Division of Administration questioned the validity of the SMC guarantee because approval was never sought of the State Bond Commission. The Treasurer and the Administration's position are supported by opinion of the Louisiana Attorney General. Also since Cypress was unable to make the required payments, SMC accepted a *Dation En Paiment* for the property. SMC and LAFA have taken possession of all the assets which are free and clear. The appraised value is \$3.4 million which includes all movable and immovable equipment and property. Contact has been made with TCU and an offer was extended to transfer the complete asset to TCU to satisfy the loan. It was explained to TCU the problems with the loan guarantee. Texas Credit decided against this offer. TCU has demanded and filed suit against SMC and LAFA for full payment. Ms. Gray agreed with Commissioner Strain's explanation. Commissioner Strain explained that there are a number of entities interested in the property and he is working with Tangipahoa Economic Development District who has a prospect for the property. Commissioner Strain has urged Tangipahoa to move quickly to get an appropriation from either Louisiana Economic Development or the Legislature to purchase the property. Ms. Gray added that our litigation firm is answering the petition. Commissioner stated there are concerns involving this matter: the validity of the guarantee and since SMC was dissolved, are the liabilities transferred directly to the state? Mr. Muller asked if LAFA has transferred the assets and the obligations and if LAFA was named in the lawsuit. Ms. Gray added that only the assets were transferred and not the obligations and that LAFA was named in the lawsuit. Because of these issues, LAFA is trying to sell the property to settle the suit. Mr. Muller inquired if LAFA owned the property. Commissioner Strain stated that LAFA did own the property and has secured it.

Commissioner Strain covered the next topic which was the \$30 million Lacassine Bond refinance and asked Mr. Simon to update the Authority. Mr. Simon said the loan closed yesterday (11/18/09) at a fixed rate of 3.8% over the next five years with the last payment due in 2014. LAFA incurred over \$500,000 in cost of issuance. The bond sale process had to be undertaken because the effective interest rate was 11.2%. The additional cost of the sale will be recouped by the interest saved.

The next topic under Commissioner Strain's report was the Opelousas and Natchitoches building projects and he asked Mr. Rudesill for an update. Mr. Rudesill stated that the center of the Opelousas building will be ready for Thanksgiving. The center part is being used as a convention center by the City of Opelousas. The Southside

of the building will be completed by the end of the year. The north side, which the Department will use, will be completed by the middle of January. The Yambilee Building that the Department is presently using will be painted and cleaned enabling us to satisfy the contract. Commissioner Strain stated that the old building will be used for agricultural purposes. LAFA will spend about \$60,000 for the renovations of the Yambilee Building. Commissioner stated that the Natchitoches building is under construction, and Mr. Rudesill presented pictures to show the progress. LAFA is also working with DEQ to allow them to purchase fuel from us at our different locations where DEQ is renting space from LAFA. We will not charge DEQ any additional fees only the cost of the fuel. This will be a convenience for DEQ as a tenant of LAFA and also save them up to \$150,000 per year.

### **OLD BUSINESS**

There was none.

### **NEW BUSINESS**

#### **Discussion and Consideration of the Authority entering into a cooperative endeavor agreement with the Department's Forestry Division to run the Indian Creek Recreation Area in Woodworth.**

Commissioner Strain explained what the Indian Creek Recreation Area was, his goals for the area, and how LAFA can be used to accomplish them. This asset must be managed as all of the others are. The Authority can better manage the Area's cash flow. This will ensure it is properly administered and can grow and prosper since it is vital to Central Louisiana and the Town of Woodworth. Mr. Rudesill confirmed there are 110 sites at the campground. Since November 1, the gross revenue is \$40,000. Commissioner Strain stated that we are cleaning and renovating the campground, installing a computer system and a credit card machine. The rates on the lake (prime sites) are \$25 a night and the interior sites are \$18. Mr. Rudesill noted that since November 1 the campground has a high occupancy rate on the weekend, and during the week about 80%. Because of LAFA's unique position in the Department, it will have better control of the expenditures. Commissioner Strain noted that in the past it has lost money, but the goal is to break even. Any revenues in excess of expenses will be reinvested in the park. Currently, the Department is managing it for the Forestry Commission, and the funds are going to the Department's Forestry Division. LAFA will manage the park for one year. Mrs. Zaunbrecher asked about the staff at Indian Creek. Mr. Rudesill responded that five employees will be paid by the revenue of Indian Creek and five employees will continue to be paid by Forestry. After a year, the park must be self sustaining and pay all expenses. Mr. Rudesill estimates the gross revenue to be \$600,000 annually. Mr. Muller questioned where the money is presently going. Commissioner Strain said that it is being deposited to Forestry's account, which is in the general fund. Commissioner Strain asked the Authority to approve the Cooperative Endeavor Agreement for one year and Mr. Rudesill will manage the park. Mr. Muller questioned if there is a down side to this. Commissioner Strain stated that there are liabilities with running a campground which are covered by risk management. Mr. Rudesill stated the premium is included in the budget.

Commissioner Strain assured the Authority he would submit a cash flow statement each quarter to the members. The only other option would be to close it and hurt the economy of the region.

**Motion:** A motion was made by Ms. Zaunbrecher to enter into a cooperative endeavor agreement that LAFA would be responsible for administration of Indian Creek for one year. It was seconded by William Hawkins and passed unanimously.

**Approval of the sale of the Cesna 310 airplane owned by the Authority.**

Commissioner Strain stated the Cesna 310 is a 1974 twin engine we acquired from State Police through a swap of heavy equipment for the plane. Since taking ownership we have flown it over 300 hours. If a plane had to be rented it would have cost us over \$100,000. It has had its annual inspection and the propellers were replaced. Because of the plane's age and the increased maintenance cost, now is the best time to sell it. Ms. Zaunbrecher wanted to know if it was appraised. Commissioner Strain noted we would have it appraised and not sell it for less than the appraised value. Mr. Simon stated that Marvin Montgomery, General Counsel for the Department, had prepared a memorandum on the sale of the aircraft. In the memorandum he cites the statutes that must be followed for the sale. If the Division of Administration (DOA) sells it, they keep 80% and we get 20%. If LAFA gets DOA's approval and sells the plane itself, LAFA retains 80% and DOA gets 20%. The money will go back into the general fund of LAFA. Mr. Muller asked if Mr. Montgomery reviewed any cases or Attorney General opinions whether LAFA can sell movable property in a private sale. Ms. Gray stated that he did not get any opinions because it is in the law. The memorandum sets out to answer questions in private and bid sale law. R.S. 3:266 (14) is clear on the sell of movable property at public or private sale.

**Motion:** A motion was made by Mr. Muller of the approval to sell the Cesna 310 airplane. It was seconded by Ms. Zaunbrecher and passed unanimously.

**Discussion and Consideration of the Authority deferring the \$100,000 payment due December 31, 2009 from Louisiana Green Fuels for the Lacassine Complex and Approval of Jeff Davis Bank's Extension of Loan terms for note due November 3, 2009 and guaranteed by LAFA.**

Mr. Simon asked Daniel Lichtl, the attorney representing Louisiana Green Fuels and Alex Santacoloma with Louisiana Green Fuels to address the Authority concerning the Jeff Davis Bank extension and deferring the \$100,000 payment. Mr. Simon stated that Louisiana Green Fuels and Mr. Lichtl negotiated with Merrill Lynch to make a payment to Merrill Lynch in September 2009. Louisiana Green Fuels is now working with Jeff Davis Bank to extend the payment that is due on November 3, 2009. Jeff Davis Bank is willing to extend the payment that is now due if Louisiana Green Fuels will make a \$100,000 payment toward principal and becomes current on interest that is due. This payment will be made by December 31, 2009. The next note is due March 2010. Commissioner Strain added that LAFA is the guarantor on the Jeff Davis loan, and LAFA does not have any collateral securing the loan. Mr. Lichtl explained that the payment was due on November 3<sup>rd</sup> and they are harvesting 8,000 acres of cane. Because of cash flow issues and the harvest, it is better for Green Fuels to make the payment in December. Jeff Davis Bank has agreed to this payment schedule. Mr. Lichtl gave a brief

history and an update of the Company since they last appeared before the Authority on April 16, 2009. He did note that the Company that owns the sugar cane mill is Lake Charles Cane Cooperative which is the company that owns the syrup mill. Louisiana Green Fuels is a separate entity that will manage the sugar to ethanol plant. In September 2009, Louisiana Green Fuels applied for a \$147 million loan guarantee through the U.S. Department of Energy (DOE) for advanced bio-fuels. Green Fuels has received approval of the first phase of the application and DOE has invited them for the second phase which is to be submitted by December 3, 2009. DOE will respond to this submission by February, 2010. Once they have final approval, the loan will be funded by either a private lender or directly by the Department of Energy. In addition to the DOE application, Green Fuels is still seeking additional equity partners and they have three potential parties. Green Fuel is asking LAFA to defer the partial interest payment of \$100,000 until July 1, 2010, or the DOE loan guarantee is approved and funded, or an equity partner is found. Whichever of the three scenarios occurs first, then the payment will be made. Commissioner Strain noted that Green Fuels has been in constant communication with the Department, and keeping the Department and LAFA abreast of all developments, and the dialogue has been open and frank. Mr. Lichtl stated they have strong Federal and State support for this project and if DOE loan guarantee is obtained, they will pay off both the Jeff Davis Bank and Merrill Lynch loans which are secured with LAFA's guarantee. Commissioner Strain noted the first action was the approval of the Jeff Davis Bank loan guarantee.

**Motion:** A motion was made by Mr. Hawkins to accept the extension of loan terms by Jeff Davis Bank. It was seconded by H. Marcell Parker Jr. and passed unanimously.

Commissioner Strain stated the next action was the deferment of the \$100,000 partial interest payment. As part of the terms of the sale, four annual \$100,000 payments are due on December 31 of 2007 through 2010, and two have been made. The third one is due December 31, 2009. Following the 2010 payment, the annual payment is approximately \$2 million dollars for the forty years. Mr. Lichtl again stated he is asking the Authority to defer the \$100,000 payment under the three scenarios listed above. Commissioner Strain stated they are doing everything they can to get to the next level and the request is reasonable. Notwithstanding the above, he will defer to the Authority members' wishes. Mr. Hawkins asked if the payment is deferred, when is the next payment due. Commissioner Strain stated it will be due on December 31, 2010 and they will have to make two payments within six months. Mr. Muller questioned the circumstance that causes Mr. Lichtl and Mr. Santacoloma to be more optimistic now to find a potential partner than in April when they asked the Authority to split the payment. Mr. Lichtl stated that he has been part of the DOE loan process since day one, and he is excited about the potential approval. He reiterated the second phase has to be turned in by December 3, 2009 and DOE will respond by the end of January or early February. They have hired the lobbying firm Capital Decisions in Washington DC who is assisting with the application submission and has experience with the DOE process. With the short term assistance that is being requested, Green Fuels is very optimistic that it can meet its financial obligation and gain momentum in 2010. Mr. Muller asked if the DOE loan was obtained, would investors still be needed. Mr. Lichtl stated no, that the \$147 million would be sufficient to fund the project.

Mr. Muller asked if they had audited financial statements and if so would they give us a copy. He wants to review their financial viability. Mr. Lichtl said they are under no obligation to give the statements, but if the request is approved then a copy will be made available. He added that a copy of preliminary financials could be made available and the audited copy provided later. Commissioner Strain stated that these private financial records are confidential. Mr. Hawkins stated that financial records should be required in the future. Mr. Lichtl again stated his request for an extension until July 1, 2010. Mr. Hawkins asked if they would sign an addendum to require the financial records. Commissioner Strain stated that if they do not make payment under the requirements of this motion they will be in default.

**Motion:** A motion was made by Mr. Hawkins to allow Louisiana Green Fuel/Lake Charles Cane, LLC to defer the \$100,000 partial interest payment that is due December 31, 2009 until July 1, 2010 or the DOE loan guarantee is approved and funded, or a prospective investor is found. The payment will be made immediately whichever of these scenarios occurs first. They will also sign the addendum and provide audited financials. It was seconded by Mr. Muller and passed unanimously.

#### **Transfer of the natural gas pipeline at Lacassine from the Authority to Centerpoint Energy.**

Mr. Simon explained that when the Lacassine Mill was built, Commissioner Odom wanted to own the pipeline that supplied gas to the boiler that powers the plant and Centerpoint would supply the gas. LAFA pays Centerpoint \$1000 per month to maintain the pipeline. Centerpoint ensures the pipeline meets all state and federal regulations, and performs routine maintenance. Louisiana Green Fuels is not operating the plant and has never used the gas. Since the pipeline has been installed, Centerpoint has tapped into the end of it and is servicing another customer downstream. There is approximately \$12,000 that LAFA owes in past due amounts. Negotiations were initiated about two months ago to transfer ownership to Centerpoint. LAFA has proposed paying \$3000 of the past due amount and transferring all ownership to Centerpoint. LAFA would grant Centerpoint a right of way to maintain the pipeline and supply the gas to the plant if needed. Initial indications are that Centerpoint will accept this proposal, but final approval is pending. Commissioner Strain noted that there is no reason to own the pipeline that is only a half mile long.

**Motion:** A motion was made by Ms. Zaunbrecher to authorize the transfer of the gas pipeline at the Lacassine site from LAFA to Centerpoint Energy. It was seconded by Mr. Parker and passed unanimously.

#### **Replacement of Roof at LDAF's Food Distribution Warehouse in St. Martinville**

Commissioner Strain stated that LAFA owns the Food Distribution Warehouse in St. Martinville and the roof needs to be replaced. This warehouse stores commodities for the area schools. The roof is in such disrepair that it rains inside and a new roof is needed. Mr. Rudesill stated that the warehouse was owned by the State Market Commission and LAFA assumed ownership since the State Market Commission was dissolved. Since there is no ventilation between the roof and the coolers, the entire roof has rotted because of the condensation and is collapsing. The warehouse is approximately 30,000 square feet. Initially the bid was published to replace the roof using the same flat design, but an

addendum has been added to allow prospective bidders the option to replace the roof using the present flat roof design or put a continuous pitched metal roof. After some discussions with engineers, it was determined that the preferable design was the pitched roof and it is probably less expensive than the flat roof. An initial estimate for the pitched roof design is below \$400,000, and the project would be funded by unused bond proceeds from the 2007 - \$31 million bond sale. Mr. Muller and Mr. Hawkins asked questions concerning LAFA's bid procedures. Ms. Stephenson reviewed the procedures that are found in Title 38, which are Louisiana's public bid law statutes. After additional comments by Authority members concerning the type of roof, it was suggested that the bid procedure be amended and an addendum be added that only the pitched metal roof be used for the building.

**Motion:** A motion was made by Mr. Hawkins to send out an addendum to the bid that is already in the process that only a pitch metal roof will be considered for the replacement in St. Martinville, and the lowest bid that meet specifications be accepted. It was seconded by Ms. Zaunbrecher and passed unanimously.

#### **Purchase of a 600 KW Emergency Generator for the main office**

Mr. Rudesill said the generator would provide power to the "war room" which is used during emergencies. Commissioner Strain noted that since the Department provides several functions that are required for the operations of the state during declared emergencies, e.g. supplying fuel for all state vehicles and pet evacuations, the generator is a necessity. All proper bid procedures were followed and 4 bids were received. The generator will be bought using proceeds from the \$31 million – 2007 bond issue. The low bid was \$74,500. LAFA will build an enclosure and provide the fuel tank. Commissioner Strain asked for the Authority's approval to proceed with the purchase of the generator.

**Motion:** A motion was made by Mr. Hawkins to approve the purchase of the 600 kW generator to the lowest bid that meets the specifications. It was seconded by Mr. Muller and passed unanimously.

#### **PUBLIC COMMENTS**

There were none.

#### **ADJORNMENT**

A motion was made by Ms. Zaunbrecher to adjourn the meeting. Commissioner Strain adjourned the meeting at 3:57 P.M.